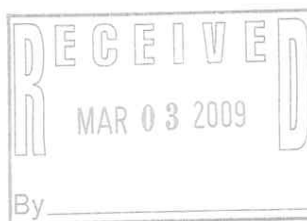


NEW MORNING
YOUTH AND FAMILY SERVICES
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
JUNE 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04502

Assigned To: Leahy

Date Reviewed: 3/4/09

Reviewer's Initials: SL

Date Review(s) Completed: _____

NEW MORNING YOUTH AND FAMILY SERVICES
June 30, 2008

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**Jeanine J. Mays**

— Certified Public Accountant —

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
New Morning Youth and Family Services

I have audited the accompanying statement of financial position of the New Morning Youth and Family Services (a non-profit organization) as of June 30, 2008, and the related statements of activity and changes in net assets, functional expenses, cash flows and schedule to statement of functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Morning Youth and Family Services as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 10, 2008, on my consideration of New Morning Youth and Family Services' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, appearing to read 'Jeanine J. Mays'. The signature is fluid and cursive, with the first name 'Jeanine' being more prominent.

Jeanine J. Mays
December 10, 2008

NEW MORNING YOUTH AND FAMILY SERVICESStatement of Financial PositionJune 30, 2008ASSETS

CURRENT ASSETS

| | | |
|-----------------------------|----------|-------------------|
| Cash | \$ 9,589 | |
| Gift cards | 1,691 | |
| Accounts receivable grants | 479,129 | |
| Prepaid expenses | 8,825 | |
| TOTAL CURRENT ASSETS | | \$ 499,234 |

PROPERTY, At Cost

| | | |
|--------------------------|-----------|---------|
| Equipment | 66,799 | |
| Leaschold improvements | 4,877 | |
| Shelter equipment | 12,019 | |
| Real estate-shelter | 120,350 | |
| Land | 556,177 | |
| Building in process | 13,300 | |
| | 773,522 | |
| Accumulated depreciation | (104,775) | 668,747 |

OTHER ASSETS

| | | |
|-----------------------|--------|---------------------|
| Stocks | 10,953 | |
| Deposits | 10,114 | |
| Long term receivables | 75,000 | |
| Insurance trust | 23,436 | |
| Prepaid rent | 17,037 | 136,540 |
| TOTAL ASSETS | | \$ 1,304,521 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|----------------------------------|-----------|-------------------|
| Accounts payable | \$ 17,625 | |
| Line of credit | 132,700 | |
| Payroll taxes payable | 22,025 | |
| Employee benefits payable | 44,712 | |
| Deferred revenue | 50,000 | |
| TOTAL CURRENT LIABILITIES | | \$ 267,062 |

LONG TERM LIABILITIES

| | | |
|------------------------------------|---------|----------------|
| Note payable-land | 495,000 | |
| TOTAL LONG TERM LIABILITIES | | 495,000 |
| TOTAL LIABILITIES | | 762,062 |

NET ASSETS

| | | |
|---|---------|---------------------|
| Unrestricted | 542,459 | |
| Temporarily restricted | - | |
| NET ASSETS | | 542,459 |
| TOTAL LIABILITIES AND NET ASSETS | | \$ 1,304,521 |

See accompanying notes.

NEW MORNING YOUTH AND FAMILY SERVICES**Statement of Activity and Changes in Net Assets****For the Year Ended June 30, 2008**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| Public Support | | | |
| Direct public support | \$ 127,904 | \$ - | \$ 127,904 |
| Direct public support in-kind | 9,320 | | 9,320 |
| Direct public support in-kind services | 21,140 | | 21,140 |
| Indirect public support | 126,000 | | 126,000 |
| Government grants | 1,154,963 | | 1,154,963 |
| Fund raising (net of expenses of \$39,047) | 15,590 | | 15,590 |
| Release from restrictions | 5,000 | (5,000) | - |
| TOTAL PUBLIC SUPPORT | <u>1,459,917</u> | <u>(5,000)</u> | <u>1,454,917</u> |
| Revenue | | | |
| Counseling fees | 231,116 | | 231,116 |
| County Medi-Cal fees | 479,571 | | 479,571 |
| Interest and dividends | 1,418 | | 1,418 |
| Unrealized investment gain (loss) | (1,884) | | (1,884) |
| Miscellaneous | 23,571 | | 23,571 |
| TOTAL REVENUE | <u>733,792</u> | <u>-</u> | <u>733,792</u> |
| TOTAL PUBLIC SUPPORT AND REVENUE | <u>2,193,709</u> | <u>(5,000)</u> | <u>2,188,709</u> |
| Expenses | | | |
| Program services | 2,003,128 | - | 2,003,128 |
| Supporting services | 60,349 | - | 60,349 |
| Fund Raising | 103,142 | - | 103,142 |
| TOTAL EXPENSES | <u>2,166,619</u> | <u>-</u> | <u>2,166,619</u> |
| CHANGE IN NET ASSETS | 27,090 | (5,000) | 22,090 |
| NET ASSETS | | | |
| Beginning of year | 515,369 | 5,000 | 520,369 |
| End of year | <u>\$ 542,459</u> | <u>\$ -</u> | <u>\$ 542,459</u> |

See accompanying notes.

NEW MORNING YOUTH AND FAMILY SERVICES**Statement of Functional Expenses****For the Year Ended June 30, 2008**

| | Program Services | Supporting Services | Fund Raising | Total |
|--|---------------------|------------------------|-------------------|---------------------|
| Salaries | \$ 1,369,314 | \$ 6,881 | \$ - | \$ 1,376,195 |
| Payroll taxes | 137,815 | 692 | - | 138,507 |
| Pension plan | 14,008 | 70 | - | 14,078 |
| Employee benefits | 123,291 | 619 | - | 123,910 |
| TOTAL SALARIES AND BENEFITS | 1,644,428 | 8,262 | | 1,652,690 |
| Advertising | 959 | 5 | - | 964 |
| Contract services | 115,342 | 7,022 | 93,822 | 216,186 |
| Dues and subscriptions | 1,744 | 9 | - | 1,753 |
| Insurance | 12,024 | 60 | - | 12,084 |
| In-kind expense | 21,132 | - | 9,320 | 30,452 |
| Interest | - | 43,010 | - | 43,010 |
| Mileage | 17,582 | 88 | - | 17,670 |
| Office | 7,991 | 364 | - | 8,355 |
| Postage | 2,583 | 13 | - | 2,596 |
| Printing | 8,430 | 42 | - | 8,472 |
| Program expense | 56,483 | 907 | - | 57,390 |
| Repairs and maintenance | 15,033 | 76 | - | 15,109 |
| Rent | 38,913 | 205 | - | 39,118 |
| Telephone | 19,569 | 98 | - | 19,667 |
| Training | 7,970 | 40 | - | 8,010 |
| Travel | 3,542 | - | - | 3,542 |
| Utilities | 15,734 | 79 | - | 15,813 |
| TOTAL EXPENSE BEFORE DEPRECIATION | 1,989,459 | 60,280 | 103,142 | 2,152,881 |
| Depreciation | 13,669 | 69 | - | 13,738 |
| TOTAL EXPENSES | \$ 2,003,128 | \$ 60,349 | \$ 103,142 | \$ 2,166,619 |

See accompanying notes.

NEW MORNING YOUTH AND FAMILY SERVICES**Statement of Cash Flows****For the Year Ended June 30, 2008****CASH FLOWS FROM OPERATING ACTIVITIES**

| | |
|--|-----------|
| Revenue over expenses | \$ 22,090 |
| Adjustment to reconcile net income to net cash provided by operating activities | |
| Depreciation | 13,738 |
| Loss on disposal of equipment | 2,754 |
| Unrealized change in stock value | 1,884 |
| Change in accounts receivable | 43,958 |
| Change in prepaid expenses | 8,973 |
| Change in gift cards | (1,691) |
| Change in deposits | (1,437) |
| Change in overdraft payable | (33,764) |
| Change in long term receivables | (75,000) |
| Change in Insurance trust | (23,436) |
| Change in accounts payable | (3,075) |
| Change in employee benefits payable | (7,618) |
| Change in payroll taxes payable | (3,050) |
| Change in deferred revenue | (51,881) |

**NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES**(107,555)**CASH FLOWS FROM INVESTING ACTIVITIES**

| | |
|---------------------------------|----------------|
| Purchase of building in process | <u>(5,806)</u> |
|---------------------------------|----------------|

**NET CASH PROVIDED (USED) BY
INVESTING ACTIVITIES**(5,806)**CASH FLOWS FROM FINANCING ACTIVITIES**

| | |
|------------------------------|----------------|
| Proceeds from line of credit | <u>122,700</u> |
|------------------------------|----------------|

**NET CASH PROVIDED (USED) BY
FINANCING ACTIVITIES**122,700**NET CHANGE IN CASH**

9,339

CASH AT BEGINNING OF YEAR, July 1, 2007250**CASH AT END OF YEAR, June 30, 2008**\$ 9,589**SUPPLEMENTAL INFORMATION**

| | |
|---------------|-------------------------|
| Interest paid | <u><u>\$ 43,010</u></u> |
|---------------|-------------------------|

See accompanying notes.

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NEW MORNING YOUTH AND FAMILY SERVICES
Notes to Financial Statements
June 30, 2008

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The New Morning Youth and Family Services (a California Corporation) pursuant to a determination letter from the Internal Revenue Service, is exempt from federal income tax under the provisions of Code Section 501 (c)(3) relating to organizations operated exclusively for charitable purposes.

The Organization's purpose is to provide social services to El Dorado County with specific emphasis on the Western Slope and a focus on youth and families with the intent of facilitating healthy lifestyles for all.

Services shall include but not necessarily be limited to counseling, crisis intervention, shelter and education. These services will be provided in a cooperative and complimentary context with the various public and private agencies operating in El Dorado County.

Basis of Accounting: The books and records have been maintained on the accrual method of accounting where the revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Voluntary resolutions of the Board of Directors making self imposed limits are also considered unrestricted.

Temporarily Restricted Assets: Net assets subject to donor-imposed stipulation that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as unrestricted.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes.

Advertising: Advertising costs are expensed when incurred.

NEW MORNING YOUTH AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2008

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash Flows: For the purposes of cash flow statement, cash and cash equivalents includes cash in the bank and cash on hand.

Functional Allocation of Expenses: The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activity and changes in net assets. Certain costs have been allocated among the programs and the supporting services benefited based on an analysis of personnel time and space utilized for the related activities.

Accounts Receivable: If program income, which is not covered by client insurance, becomes uncollectible a direct write-off method is used. Medical insurance billing has a historical percentage of collectability and a contra account is recognized. This is not generally accepted accounting principles but the difference is not material.

Property and Equipment: The Organization follows the practice of capitalizing all expenditures for land, building and equipment over \$500; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

2) ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from grantors, private insurance companies and Medi-care. Only patients who have received acknowledgment of Medicare coverage have been included. New Morning provides for all treatment that is not covered by insurance. On a geographic basis, there is no disproportionate concentration of credit risk in any area. Amounts due from grantors and individuals are considered 100% collectable. If an account becomes uncollectable the direct write off method is used.

3) ACCRUED EMPLOYEE BENEFITS

Vacation pay is required to be paid to an employee upon separation of employment. This compensation is limited to a maximum accrual of 240 hours. Current vacation payable is \$44,712. Sick leave benefits are accumulated, but the employees do not gain a vested right to the total accumulated sick leave.

NEW MORNING YOUTH AND FAMILY SERVICES
Notes to Financial Statements
June 30, 2008

4) **DONATED SERVICES**

Donated material and equipment are reflected as contributions in the accompanying statements at their estimated value at date of receipt. Other donated goods and services, which total \$26,573, are presented in the accompanying statements which are donations for fundraising and program activities. These are provided for informational use only. Donated services of counselor interns, shelter counselor and office clerk volunteers have been recognized based on time records valued at \$17.14/hour, for a total of \$16,340. No amounts have been reflected in the statements for other donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated a significant amount of their time in the organization's program services and in its fund-raising campaigns.

Professional services donated have been recognized as required by FASB 116. The services received during the period total \$4,800.

5) **LEASED FACILITIES**

The organization has entered into an agreement with the El Dorado County Board of Education to occupy a facility at their location. The agreement has a term of 45 years and expires June 30, 2032. The basic rent is \$0 per month plus maintenance, utilities and custodial costs based on the square footage occupied. These costs are subject to review on an annual basis. An advanced deposit of \$ 31,944 was required which reduced the monthly lease obligation.

| | |
|-------------------------|------------------|
| Prepaid Rent | \$ 31,944 |
| Amortized \$709.87/year | (14,907) |
| Prepaid Rent | <u>\$ 17,037</u> |

The Organization also leases one other location. Robin Lane, for a term of five years beginning August 1, 2004 for the amount of \$2,485 per month. The current and future lease payments for this location is as follows:

| | <u>Current</u> | <u>2009</u> | <u>2010</u> |
|------------|------------------|------------------|-------------|
| Robin Lane | <u>\$ 38,398</u> | <u>\$ 33,420</u> | <u>\$ -</u> |
| | <u>\$ 38,398</u> | <u>\$ 33,420</u> | <u>\$ -</u> |

The security deposit and prepaid rent for Robin Lane totals \$4,760.

6) **RETIREMENT PROGRAM**

The Organization offers a Simple IRA plan. The plan consists of employee contributions with up to three percent (3%) matching funds from the Organization. Retirement expense totaled \$14,078.

NEW MORNING YOUTH AND FAMILY SERVICES**Notes to Financial Statements****June 30, 2008****7) EQUIPMENT LEASE**

The Organization leased a new copier in June 2005 for 60 months at \$300.00 per month.

| | <u>Current</u> | <u>2009</u> | <u>2010</u> |
|--------|-----------------|-----------------|-----------------|
| Copier | <u>\$ 3,600</u> | <u>\$ 3,600</u> | <u>\$ 3,600</u> |

8) CONTINGENT LIABILITY

The Organization has established a line of credit in the amount of \$200,000. The interest rate is 10% and is payable monthly. There is a balance due of \$132,700 at June 30, 2008.

9) ECONOMIC DEPENDENCY

The Organization receives seventeen percent (17%) of its revenues collected and disbursed through El Dorado County and thirty-six percent (36%) from Federal and State programs. Although there is no formal long-term contract due to annual budget decisions, the Organization has been receiving contracts and providing services since 1972 in the El Dorado County geographical area.

10) FIXED ASSETS

| | <u>Beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending</u> |
|--------------------------|------------------|------------------|------------------|------------------|
| Equipment | \$ 71,441 | \$ - | \$ 4,642 | \$ 66,799 |
| Leasehold Improvements | 8,252 | - | 3,375 | 4,877 |
| Shelter Equipment | 13,340 | - | 1,321 | 12,019 |
| Real Estate-Shelter | 120,350 | - | - | 120,350 |
| Land | 556,177 | - | - | 556,177 |
| Building in process | 7,494 | 5,806 | - | 13,300 |
| | | | | |
| TOTAL | <u>\$777,054</u> | <u>\$ 5,806</u> | <u>\$ 9,338</u> | <u>\$773,522</u> |
| | | | | |
| Accumulated Depreciation | <u>\$ 97,009</u> | <u>\$ 13,738</u> | <u>\$ 5,972</u> | <u>\$104,775</u> |

11) GRANTOR'S RESTRICTIONS

The Organization has received funds for specific purposes that are subject to review and audit by the grantor agencies. Although such an audit could generate expenditure disallowance under the terms of the grants, it is believe that any required reimbursements will not be material.

NEW MORNING YOUTH AND FAMILY SERVICES**Notes to Financial Statements****June 30, 2008****12) INVESTMENTS**

In accordance with Statement of Financial Standards Number 124, Accounting for Certain Investments Held by Not for Profit Organizations, the accounting policy is to report investments at "fair value."

| | Market Value June 30 2008 | Donated Value June 30, 2008 | Current Unrealized Gain (Loss) | Cumulative Unrealized Gain |
|-------------------|------------------------------|--------------------------------|-----------------------------------|-------------------------------|
| Equity securities | \$ 10,953 | \$ 10,636 | \$ (1,884) | \$ 317 |

These funds are not federally insured. The earnings are unrestricted.

Due to the fact that funds may invest in securities issued by foreign banks, governments, financial institutions or other business organizations, the funds are subject to certain additional risks on those securities. The risks may include unfavorable political and economic developments.

The Organization is invested in stocks which are not federally insured. Certain financial instruments potentially subject the Organization to concentrations of market risk. Concentrations of market risk are limited due to a large base of instruments and geographic dispersion.

13) LONG-TERM DEBT

The organization has purchased property and is planning a new facility. The property transferred ownership in August 2007 and a Deed of Trust of \$495,000 is secured by the property. The terms of the loan are interest only payments monthly accruing at 6% with a payment in full due in 36 months.

14) NET ASSETS

Change in net assets for the year ended June 30, 2007 is as follows:

| | Unrestricted | Unrestricted Board Designated | Total Unrestricted | Temporarily Restricted |
|-----------|--------------|-------------------------------------|-----------------------|---------------------------|
| Beginning | \$ 394,527 | \$ 120,842 | \$ 515,369 | \$ 5,000 |
| Change | 147,932 | (120,842) | 27,090 | (5,000) |
| Ending | \$ 542,459 | \$ - | \$ 542,459 | \$ - |

The change in the board designated net assets for the year is detailed below:

| | Beginning | Change | Ending |
|-----------------------------------|------------|--------------|--------|
| Board designated for technology | \$ 24,715 | \$ (24,715) | \$ - |
| Board designated for new facility | 96,127 | (96,127) | - |
| Total Board Designated | \$ 120,842 | \$ (120,842) | \$ - |

NEW MORNING YOUTH AND FAMILY SERVICES

Schedule to Statement of Functional Expenses

For the Year Ended June 30, 2008

| | CAPIT | AOD | Schools | Healthy Start | Elementary Schools | PSSF | High Risk Youth and United Way | Mental Health Medt-Cal | MHSA | OES CHAT | Other | Shelter | Total Program |
|---|------------------|-------------------|-------------------|------------------|--------------------|------------------|--------------------------------|------------------------|-------------------|-------------------|------------------|-------------------|---------------------|
| Salaries | \$ 29,262 | \$ 114,355 | \$ 133,074 | \$ 39,926 | \$ 187,102 | \$ 14,022 | \$ 35,531 | \$ 243,620 | \$ 99,438 | \$ 192,814 | \$ 53,083 | \$ 227,087 | \$ 1,369,314 |
| Payroll taxes | 2,901 | 10,905 | 14,331 | 4,817 | 18,114 | 1,412 | 3,934 | 23,296 | 9,447 | 19,039 | 6,744 | 22,855 | 137,815 |
| Pension plan | 295 | 1,108 | 1,457 | 490 | 1,841 | 144 | 402 | 2,368 | 960 | 1,935 | 685 | 2,323 | 14,008 |
| Employee benefits | 2,595 | 9,756 | 12,821 | 4,309 | 16,205 | 1,263 | 3,538 | 20,841 | 8,451 | 17,032 | 6,033 | 20,447 | 123,291 |
| TOTAL SALARIES AND BENEFITS | 35,053 | 136,124 | 161,683 | 49,542 | 223,262 | 16,841 | 43,425 | 290,125 | 118,296 | 230,820 | 66,545 | 272,712 | 1,644,428 |
| Advertising | 20 | 77 | 101 | 34 | 128 | 10 | 27 | 164 | 66 | 134 | 39 | 159 | 959 |
| Contract services | 23,243 | 3,415 | 4,487 | 1,508 | 30,672 | 25,062 | 1,238 | 7,871 | 2,958 | 5,962 | 2,079 | 6,847 | 115,342 |
| Dues and subscriptions | 37 | 140 | 183 | 62 | 232 | 18 | 50 | 298 | 121 | 244 | 70 | 289 | 1,744 |
| Insurance | 256 | 962 | 1,264 | 425 | 1,598 | 125 | 349 | 2,055 | 834 | 1,680 | 482 | 1,994 | 12,024 |
| In-kind donations | 354 | 6,132 | 1,751 | 588 | 2,214 | 173 | 483 | 2,847 | 1,154 | 2,327 | 667 | 2,442 | 21,132 |
| Mileage | 374 | 1,407 | 1,849 | 621 | 2,337 | 182 | 511 | 3,006 | 1,219 | 2,456 | 704 | 2,916 | 17,582 |
| Office supplies | 171 | 640 | 840 | 282 | 1,062 | 83 | 232 | 1,366 | 554 | 1,116 | 320 | 1,325 | 7,991 |
| Postage | 55 | 206 | 271 | 91 | 343 | 27 | 75 | 442 | 179 | 361 | 103 | 428 | 2,581 |
| Printing | 180 | 675 | 887 | 298 | 1,120 | 87 | 245 | 1,441 | 584 | 1,178 | 337 | 1,398 | 8,430 |
| Program expense | 895 | 5,006 | 4,423 | 1,487 | 7,945 | 436 | 1,220 | 7,190 | 6,904 | 5,876 | 1,943 | 13,160 | 56,485 |
| Repairs and maintenance | 320 | 1,703 | 1,581 | 532 | 1,998 | 156 | 436 | 2,570 | 1,042 | 2,100 | 602 | 2,493 | 15,033 |
| Rent | 828 | 3,114 | 4,092 | 1,376 | 5,173 | 403 | 1,129 | 6,652 | 2,698 | 5,437 | 1,558 | 6,453 | 38,913 |
| Telephone | 417 | 1,566 | 2,059 | 692 | 2,601 | 202 | 568 | 3,345 | 1,357 | 2,734 | 783 | 3,245 | 19,569 |
| Training | 170 | 638 | 838 | 282 | 1,059 | 82 | 232 | 1,162 | 553 | 1,113 | 319 | 1,322 | 7,970 |
| Travel | | | | | 2,603 | | | | | | | 939 | 3,542 |
| Utilities | 335 | 1,259 | 1,654 | 556 | 2,092 | 163 | 455 | 2,690 | 1,091 | 2,198 | 631 | 2,610 | 15,734 |
| TOTAL EXPENSES BEFORE PROPERTY EXPENSE | 62,708 | 162,564 | 187,963 | 58,376 | 286,439 | 44,050 | 50,675 | 333,424 | 139,610 | 265,736 | 77,182 | 320,732 | 1,989,459 |
| Depreciation | 291 | 1,094 | 1,438 | 483 | 1,817 | 142 | 397 | 2,336 | 948 | 1,910 | 547 | 2,266 | 13,669 |
| TOTAL EXPENSES | \$ 62,999 | \$ 163,658 | \$ 189,401 | \$ 58,859 | \$ 288,256 | \$ 44,192 | \$ 51,072 | \$ 335,760 | \$ 140,558 | \$ 267,646 | \$ 77,729 | \$ 322,998 | \$ 2,003,128 |

See accompanying notes.

-11-

Audit Review # 04502
Sherry Leahy
4/24/09.

NEW MORNING
YOUTH AND FAMILY SERVICES
GOVERNMENT REPORT
(OMB CIRCULAR A-133)
FOR THE YEAR ENDED
JUNE 30, 2008

NEW MORNING YOUTH AND FAMILY SERVICES
June 30, 2008

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**Jeanine J. Mays**

— Certified Public Accountant —

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors
New Morning Youth and Family Services
Placerville, California

I have audited the financial statements of the New Morning Youth and Family Services, as of and for the year ended June 30, 2008 and have issued my report thereon dated December 10, 2008. I conducted my audits in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the U.S. Comptroller General, and the provisions of OMB Circular A-133.

My audit was made for the purpose of forming an opinion on the Organization's financial statements taken as a whole. The supplementary schedule of expenditures of federal awards and the supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Jeanine J. Mays'.

Jeanine J. Mays
December 10, 2008

**Jeanine J. Mays**

— Certified Public Accountant —

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
New Morning Youth and Family Services
Placerville, California

I have audited the financial statement of New Morning Youth and Family Services (a non-profit organization) as of and for the year ended June 30, 2008, and have issued my report thereon dated December 10, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered New Morning Youth and Family Services' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Morning Youth and Family Services' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I noted certain matters that I reported to management of New Morning Youth and Family Services in a separate letter dated December 10, 2008.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As a part of obtaining reasonable assurance about whether the New Morning Youth and Family Services' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jeanine J. Mays
December 10, 2008
FEIN 20-0851206



Jeanine J. Mays

— Certified Public Accountant —

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL
OVER COMPLIANCE AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
New Morning Youth and Family Services
Placerville, California.

COMPLIANCE

I have audited the compliance of New Morning Youth and Family Services with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. New Morning Youth and Family Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of New Morning Youth and Family Services' management. My responsibility is to express an opinion on New Morning Youth and Family Services' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Morning Youth and Family Services' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on New Morning Youth and Family Services' compliance with those requirements.

In my opinion, New Morning Youth and Family Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of New Morning Youth and Family Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered New Morning Youth and Family Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order

INTERNAL CONTROL OVER COMPLIANCE - CONTINUED

to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is solely intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and its not intended to be and should not be used by anyone other than these specified parties.



Jeanine J. Mays
December 10, 2008

NEW MORNING YOUTH AND FAMILY SERVICES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal CFDA # | Pass Through Number | Current Federal Expenditures |
|---|-------------------|------------------------|------------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH EL DORADO COUNTY, CALIFORNIA | | | |
| 1. Basic Center-Runaway and Homeless Youth (DHH/ACF) | 93.630 | 93623 | \$ 110,000 |
| 2. Foster Care Title IV-E | 93.658 | | 24,110 |
| 3. Promoting Safe and Stable Families (PSSF) | 93.556 | | 74,329 |
| 4. Federal Block Grant | 93.959 | 519-PHD0407 | 32,763 |
| Subtotal | | | <u>241,202</u> |
| DEPARTMENT OF HOMELAND SECURITY EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM | | | |
| 5. Federal Emergency Shelter Grant (FEMA) | 97.024 | | 2,713 |
| Subtotal | | | <u>2,713</u> |
| DEPARTMENT OF JUSTICE STATE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES | | | |
| 6. Child Abuse Treatment | 16.575 | AT06031443 | 64,476 |
| 7. Child Abuse Treatment | 16.575 | AT07031443 | 168,892 |
| Subtotal | | | <u>233,368</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH EL DORADO COUNTY OFFICE OF ED | | | |
| 8. Elementary and Secondary School Counseling FESC II | 84.215E | Q215E060347 | 314,728 |
| Subtotal | | | <u>314,728</u> |
| TOTAL FEDERAL EXPENDITURES | | | <u>\$ 792,011</u> |

The accompanying notes are an integral part of this schedule

NEW MORNING YOUTH AND FAMILY SERVICES
Notes to Schedules of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1) BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards includes the federal grant activity of New Morning Youth and Family Services and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2) GRANT PERIODS

Current expenditures reported in the schedules of expenditures of federal awards only include federal expenditures for the period of July 1, 2007 through June 30, 2008 which is the organization's accounting year. The grant periods for some of the grants included in the schedule of expenditures of federal awards are different from New Morning Youth and Family Services' accounting year therefore the schedule does not represent the total grant award.

3) SUPPLEMENTAL SCHEDULES

The attached supplemental schedules are presented on a basis of accounting specified in an agreement and are presented on request of those granting agencies. The accounting basis is a special purpose presentation and is not intended to conform with accounting principles generally accepted in the United States of America and the standards applicable to financial audits performed in Government Auditing Standards issued by the Comptroller General of the United States, thus, the aforementioned schedules may not reflect the amounts in the schedule of expenditures of federal awards.

NEW MORNING YOUTH AND FAMILY SERVICES
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I: Summary of Auditor's Results

FINANCIAL STATEMENTS

| | |
|---|-------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified | No |
| Significant deficiencies identified | |
| that are not considered to be | |
| material weaknesses? | yes |
| Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

| | |
|---|-------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified | |
| that are not considered to be | |
| material weaknesses? | No |
| Type of Auditor's report on compliance for major program: | Unqualified |
| Any audit findings disclosed that are required to be reported | |
| in accordance with section 510(a) of Circular A-133? | No |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal/State Program or Cluster</u> |
|--------------------|---|
| 84.215E | Elementary and Secondary School Counseling |
| 16.575 (OES) | Child Abuse Treatment |

| | |
|---|------------|
| Dollar threshold used to distinguish between type A | |
| and type B programs: | \$ 300,000 |

| | |
|---|-----|
| Auditee qualified as a low-risk auditee | Yes |
|---|-----|

Section II: Financial Statement Findings

The entity maintains and prepares financial statement in accordance with generally accepted accounting principles but errors in applying those principles resulted in a materially misstated financial statement before the adjusting journal entries.

Section III: Federal Award Findings and Questioned Costs

No matters are reported

NEW MORNING YOUTH AND FAMILY SERVICES**Status of Prior Year's Findings****For the Year Ended June 30, 2008**

No Prior Year Findings

SUPPLEMENTAL SCHEDULES

NEW MORNING YOUTH AND FAMILY SERVICES
Supplemental Schedules
For the Year Ended June 30, 2008

Costs Claimed and Accepted-Office of Emergency Services

| <u>Program/Grant Number</u> | <u>Current year Cost Claimed</u> | <u>Current year Costs Accepted</u> | <u>Unclaimed Costs</u> | <u>Questioned Costs</u> |
|------------------------------|--|--|----------------------------|-----------------------------|
| CHILD ABUSE TREATMENT | | | | |
| Grant # AT06031443 | | | | |
| 10/1/06-09/30/07 | | | | |
| Personal Services | \$ 157,459 | \$ 157,459 | \$ - | \$ - |
| Operating Expenses | <u>31,207</u> | <u>31,207</u> | | |
| | <u>\$ 188,666</u> | <u>\$ 188,666</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| Federal Funds | \$ 150,933 | \$ 150,933 | \$ - | \$ - |
| State Funds | - | - | | |
| Cash Match | <u>37,733</u> | <u>37,733</u> | | |
| | <u>\$ 188,666</u> | <u>\$ 188,666</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| CHILD ABUSE TREATMENT | | | | |
| Grant # AT06031443 | | | | |
| 10/1/07-09/30/08 | | | | |
| Personal Services | \$ 130,065 | \$ 141,735 | \$ 11,670 | \$ - |
| Operating Expenses | <u>24,523</u> | <u>27,157</u> | <u>2,634</u> | |
| | <u>\$ 154,588</u> | <u>\$ 168,892</u> | <u>\$ 14,304</u> | <u>\$ -</u> |
| | | | | |
| Federal Funds | \$ 123,670 | \$ 135,114 | \$ 11,444 | \$ - |
| State Funds | - | - | | |
| Cash Match | <u>30,918</u> | <u>33,778</u> | <u>2,860</u> | |
| | <u>\$ 154,588</u> | <u>\$ 168,892</u> | <u>\$ 14,304</u> | <u>\$ -</u> |

The accompanying notes are an integral part of this schedule

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

GROUP HOME PROGRAM COSTS REPORT (SR 3)

This form is to collect cost information for the group home program. Report actual allowable and reasonable costs. If the corporation operates more than one group home program and/or the program provides other services (example: day care, on-site education, adult services, foster family agency, etc.) costs must be allocated to the appropriate activity and only the allowable group home program costs for the program are to be reported. Describe the methodology used to allocate costs if other than the standard allocation methodology indicated in current regulations (Mpp Section 11-402.8 et seq.) NOTE: A separate cost report form must be completed for each group home program operated by the corporation.

Number of months in cost reporting period 12

| CORPORATE NAME | | PROGRAM NAME (IF DIFFERENT) | | CORPORATE NUMBER | PROGRAM NUMBER | PROGRAM NAME | PROVIDER FISCAL YEAR (MO/YR - MO/YR) |
|---|---------------------|-----------------------------|----------------------------|--|---------------------------|---------------|---|
| New Morning Youth & Family Services, Inc | | | | 94-2159659 | 1680.00.01 | | 07/07-06/08 |
| COST GROUPS | | | | | | | |
| | A | B | C | D | E | F | |
| | TOTAL PROGRAM COSTS | OFFSETS | REASONABLENESS ADJUSTMENTS | FINAL COSTS (COL. A MINUS COLS. B & C) | PERCENTAGE OF TOTAL COSTS | CDSS USE ONLY | |
| 1 Child Care & Supervision | \$188,490 | | | \$188,490 | 58.4% | | |
| 2 Social Work Activities | \$20,808 | | | \$20,808 | 6.4% | | |
| 3 Food | \$5,178 | | | \$5,178 | 1.6% | | |
| 4a Shelter Costs - Building Rent & Leases | \$6,453 | | | \$6,453 | 2.0% | | |
| 4b Shelter Costs - Approved by Attorney General Self-Dealing Transactions Affiliated Leases | | | | \$0 | 0.0% | | |
| 4c Shelter Costs - Acquisition Mortgage: Principal & Interest | | | | \$0 | 0.0% | | |
| 5 Building & Equipment | \$6,206 | | | \$6,206 | 1.9% | | |
| 6 Utilities | \$2,609 | | | \$2,609 | 0.8% | | |
| 7 Vehicles & Travel | \$3,855 | | | \$3,855 | 1.2% | | |
| 8 Child-Related | \$3,220 | | | \$3,220 | 1.0% | | |
| 9a Executive Director Salary | \$13,768 | | | \$13,768 | 4.3% | | |
| 9b Assistance Director Salary | \$11,049 | | | \$11,049 | 3.4% | | |
| 9c Administrator Salary | \$10,677 | | | \$10,677 | 3.3% | | |
| 9d All Other Admin. Salaries | \$27,922 | | | \$27,922 | 8.6% | | |
| 9e Financial Audit Costs | \$1,229 | | | \$1,229 | 0.4% | | |
| 9f Administration (Minus Admin. Salaries and Financial Audit Costs) | \$21,535 | | | \$21,535 | 6.7% | | |
| TOTAL | \$322,999 | \$0 | \$0 | \$322,999 | 100.0% | | |
| CDSS USE ONLY | | | | | | | KDE DATE |

GR 3112041

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

GROUP HOME PROGRAM**PAYROLL & FRINGE BENEFIT REPORT (SR 4)**Number of months in cost reporting period: 12

| | | | |
|-------------------------------------|-------------------|----------------|---------------------------------------|
| CORPORATE/AGENCY NAME: | CORPORATE NUMBER: | PROGRAM NUMBER | PROVIDER FISCAL YR (MO/YR - MO/YR) |
| New Morning Youth & Family Services | 94-2159659 | 1680.00.01 | 07/07 - 06/08 |

| | (1) Child Care & Supervision | (2) Social Work Activities | (3) CDSS USE ONLY |
|---|---------------------------------|-------------------------------|----------------------|
| I. PAYROLL (DO NOT INCLUDE BENEFITS) | \$156,955 | \$17,327 | |
| II. FRINGE BENEFIT EXPENSE | | | |
| 1. FICA Employer Tax (Include MEDICARE) | \$13,427 | \$1,482 | |
| 2. Unemployment Coverage (State & Federal) | \$0 | \$0 | |
| 3. Workers' Compensation Insurance | \$1,580 | \$174 | |
| 4. Medical Insurance Expense | \$14,617 | \$1,614 | |
| 5. Retirement | \$1,606 | \$177 | |
| 6. Other (Specify on back of form) | \$305 | \$34 | |
| TOTAL FRINGE BENEFITS (Add Lines 1 through 6) | \$31,535 | \$3,481 | |
| III. TOTAL PAYROLL & FRINGE BENEFITS | \$188,490 | \$20,808 | |
| IV. CONTRACTOR COSTS | | | |
| V. TOTAL (Add Line III and Line IV) Transfer to Column A, Lines 1 and 2, Cost Report (SR 3) | \$188,490 | \$20,808 | |

CDSS USE ONLY

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

**CERTIFICATION OF
AUDITED COST DATA**

The Group Home or Foster Family Agency corporation should have their Certified Public Accountant (CPA) complete and submit this form as part of the required financial audit if the CPA has not otherwise provided written documentation which clearly shows that the required cost data reports were audited and that the information was fairly stated in all material respects in relation to the basic financial statements taken as a whole.

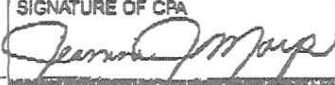

Please have the completed and signed form sent to:
California Department of Social Services
Program and Financial Audits Bureau
ATTENTION: Financial Audits Unit Manager
744 P Street, MS 9-23
Sacramento, California 95814.

| | |
|--|--|
| GROUP HOME OR FOSTER FAMILY AGENCY CORPORATE NAME New Morning Youth and Family Services | PROGRAM NUMBERS(S) 1680.00.01 |
| STREET ADDRESS 6765 Green Valley Road | PROGRAM FISCAL YEAR (MO/YR-MO/YR) June 30, 2008 |
| CITY, STATE, AND ZIP CODE Placerville, CA 95667 | PROVIDER PHONE NUMBER (530) 622-5551 |

The attached supplementary cost data reports are presented for the purposes of additional analysis and are not a required part of the basic financial statements but are required as supplementary information by the California Department of Social Services in accordance with Manual of Policies and Procedures Section 11-405.214. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Check only the forms which apply: SR 3 ☒ SR 4 ☒ FCR 12FFA ☐

In compliance with the False Claims Act (31 U.S.C. §3729-3733), I certify that the information on this form is true and correct.

| | | |
|--|--|---------------------------|
| PRINTED NAME OF CPA Jeanine J. Mays | SIGNATURE OF CPA  | DATE December 10, 2008 |
| ADDRESS 2533 Merrychase Drive Suite 700 |  | |
| CITY, STATE AND ZIP CODE Cameron Park, CA 95682 | | |